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UNCLAS SECTION 01 OF 03 THE HAGUE 002979

SIPDIS

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E.O. 12958: N/A

TAGS: PARM PREL CWC

SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): ARTICLE IV/V -
WIDESPREAD SUPPORT FOR ABAF PROPOSAL

REF: THE HAGUE 2944

This is CWC-129-03.

SUMMARY AND ACTION REQUEST

11. (U) There is widespread support for the proposal submitted by the Advisory Body on Administrative and Financial Matters to address the issue of Article IV and V payments. No delegation has spoken out against the ABAF recommendation. Guidance request at para 11 on whether the proposal is acceptable to the U.S. End Summary and Action Request.

FOCUS ON ABAF PROPOSALS

12. (U) At informal consultations November 25 on finding a structural solution for Article IV and V payments, delegations voiced broad support for the proposal put forward by the Advisory Body on Administrative and Financial Matters (ABAF) the week before (Reftel). The proposal combines the first two of seven options presented for consideration by the facilitator (Johan Verboom of the Netherlands) on November 17 (faxed to AC/CB; see main points in para 4 below). The entire discussion focused on the ABAF proposal; no delegation addressed any other option in the discussion paper except in passing, or objected in principle to the ABAF proposal. Del noted that the USG had not endorsed the proposal, and several other delegations said that they would have to seek guidance from their capitals. Most others expressed confidence that they could join consensus around the ABAF concept. Verboom and OPCW Director for Administration Herb Schulz fielded many questions.

13. (U) Verboom opened by briefly describing the seven options outlined in his discussion paper. He then added that ABAF had come forward with its own proposal, based on options one and two of his paper, which he endorsed as a "very sensible" solution. Schulz also strongly supported the ABAF formulation, saying it would go "80-90% toward solution" of the recurring budgetary problems caused by late repayment of Article IV and V inspection costs. (Schulz acknowledged that no solution was perfect, as uncertainties about future destruction activities was unavoidable. Thus the phenomenon of "fictitious income" would remain, but was already being addressed by discounting projected repayments.)

14. (U) The ABAF proposal consists of five elements:

- allowing repayment of the Working Capital Fund "as soon as feasible" rather than by the end of the next financial year;
- increasing the cap on the WCF to perhaps 14% of the budget, or roughly 10 million Euros;
- funding this initially out of the remaining cash "surpluses" from 2001-2003;
- using future late payments by possessor states to replenish the WCF; and
- allocating any additional funds from Article IV/V payments to the cash surplus to be returned to States Parties.

WIDESPREAD SUPPORT AMONG DELEGATIONS

15. (U) Most of the twenty-four delegations participating in the consultation spoke in support of the ABAF-proposed solution. Germany described it as "very appealing," noting that it largely solved the late payment problem without adding extra costs for States Parties. France called it "a good combination" of measures to make better use of the existing WCF. The UK representative said his government had

not examined the proposal in detail, but said he too "liked the idea of using the Working Capital Fund." The ROK endorsed it as "attractive and practical." Canada said it "joined the chorus," but that it also needed to run the idea by its capital. China observed "there is no simple solution" to Article IV/V payments, but ABAF's formulation "solves many difficulties." Australia agreed that this proposal was "in principle quite attractive" although there were other possible solutions as well. Switzerland said it would join consensus on the issue.

¶16. (U) Japan also indicated support, while commenting that it should in no way reduce the obligation of possessor states to pay for the verification of destruction activities, and saying it still required Tokyo's endorsement. Italy said it was "a good solution," while expanding on Japan's point that there must be incentives for possessor states to pay their obligations quickly. The Russian representative commented that Moscow had expected that the Special Account established by the Eighth Conference of the States Parties would be used to address the same problem. But he voiced no objection to the ABAF proposal, saying "judging from the ABAF recommendation and the sense of this group," Moscow would look at it very seriously.

¶17. (U) India's delegate said he was "open to mixing options one and two" (i.e., the ABAF proposal) but needed to check with his capital. Mexico had no objection to using the WCF as a stabilization fund, but added that using late payment of Article IV and V costs to refund the WCF should be conditional on these payments being removed from the "miscellaneous income" category of the budget and there being no increase in Mexico's assessments. Argentina seconded this point. There followed some debate over whether using cash surpluses to initially fund the WCF up to 14% in effect increased member states' contributions, since those surpluses would otherwise be returned to the States Parties.

¶18. (U) Several delegates specified that their support would be contingent on the WCF capitalization not increasing their contributions to the budget. Several others followed the lead of Japan, Italy, and Canada, in calling for the need to retain incentives for timely payment of Article IV and V invoices. Some advocated allowing only a one-year window for repaying the WCF as a means of keeping up the pressure on possessors to repay the cost of inspections. Others, however, countered that threatening the financial stability of the organization was not an ideal incentive for any State Party. Canada proposed that late payment of these obligations should be treated legally the same as other arrears (i.e., result in loss of voting privileges).

¶19. (U) Questions were raised about how the proposed WCF cap of 14% of the budget was derived. Schulz said the figure reflected "operational requirements ... to cover salaries, expenses, and the Article IV and V shortfall" totaling just over 10 million Euros. After the meeting, Schulz noted to USDel that the amount requested for the proposed cap exceeded the standard for such funds (normally 1/12 of the budget), but emphasized that the extra amount sought was the approximate annual total of Article IV/V receipts. He explained that those unique up-front costs to the OPCW were what necessitated a slightly larger WCF than the one-month operating expenses of other international organizations. There were other questions about what financial regulations would have to be amended to achieve the proposed changes. (Article 6.6 is the principal regulation involved, but not the only one affected).

¶10. (U) There was general agreement that the scheduled second day of consultations on Article IV/V was not necessary. USDel repeated a cautionary note that the United States had not yet examined the proposal in detail or given its assent. Delegates were requested to seek their capitals' views on the ABAF proposal in the coming weeks. Verboom told Del after the meeting he had been surprised by the chorus of support for the ABAF proposal, having expected a systematic discussion of all options on the table. However, he was pleased with the outcome.

ACTION REQUEST

¶11. (U) Del would appreciate guidance on whether the ABAF proposal is acceptable to the USG. Given ABAF's endorsement and the overwhelming support of other delegations, U.S. objections might result in blocking consensus on this issue.

¶12. (U) Javits sends.
SOBEL